

IOI Corporation (IOI MK)

1QFY26: In-line Results; Downstream Earnings Rebound

Highlights

- **IOI reported 1QFY26 core net profit of RM386m (+20% yoy)**, which met expectations, constituting 28% of both our and consensus estimates.
- **Sequentially, 1QFY26 core earnings rose 19% qoq**, driven by a rebound in the downstream segment's earnings contribution.
- **Maintain HOLD on IOI with a higher target price of RM3.85 (from RM3.80).**

1QFY26 Results

Year to 30 Jun	1QFY26	Qoq	yoy	Remarks
(RMm)		% chg	% chg	
Revenue	3,051.8	3.1	14.2	
Operating Profit	440.1	45.2	29.9	
Plantation	350.6	1.7	16.6	Higher production and ASPs
Resource-based Manufacturing	131.2	(401.6)	248.9	Broad-based recovery across all downstream divisions
Net Profit	363.8	(16.7)	(48.8)	
Core Net Profit	385.6	19.2	19.5	Within expectations.
Margins (%)				
Operating profit				
Plantation	14.4	40.8	13.8	
Resource-based Manufacturing	43.8	0.6	6.5	
Core net profit	4.5	(393.8)	209.5	

Source: IOI Corporation, UOB Kay Hian

Analysis

- **Within expectations.** After excluding non-operating items totalling RM21.8m including net fair value losses on derivative instruments, 1QFY26 core net profit came in at RM385.6m (+19.5% yoy, +19.2% qoq) which made up 28% of ours and consensus respective estimates. On a yoy basis, the plantation segment's EBIT rose 17%, driven by FFB growth of 2.3% in addition to higher ASPs, particularly for palm kernel (PK) prices. Sequentially, 1QFY26's stronger core earnings were largely led by a rebound in downstream earnings contribution across all sub-segments.

Key Financials

Year to 30 Jun (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	9,604	11,335	11,146	11,349	11,459
EBITDA	1,537	1,837	1,914	1,997	2,067
Operating profit	1,140	1,432	1,482	1,549	1,608
Net profit (rep./act.)	1,088	1,521	1,359	1,450	1,512
Net profit (adj.)	1,088	1,320	1,359	1,450	1,512
EPS (sen)	17.3	21.0	21.6	23.1	24.1
PE (x)	21.5	18.8	18.3	17.1	16.4
P/B (x)	2.0	2.0	1.9	1.8	1.7
EV/EBITDA (x)	24.6	14.6	14.1	13.3	12.6
Dividend yield (%)	2.6	2.7	2.8	3.0	3.2
Net margin (%)	11.3	13.4	12.2	12.8	13.2
Net debt/(cash) to equity (%)	13	13.3	13.3	9.7	6.0
Interest cover (x)	13	17.1	18.4	19.7	23.2
ROE (%)	9.5	14.2	12.3	12.7	12.9
Consensus net profit	-	-	1,364	1,404	1,482
UOBKH/Consensus (x)	-	-	1.00	1.03	1.02

Source: IOI Corporation, Bloomberg, UOB Kay Hian

HOLD (Maintained)

Share Price	RM4.07
Target Price	RM3.85
Upside	-5.4%
Previous TP	RM3.80

Analyst(s)

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Stock Data

GICS sector	Consumer Staples
Bloomberg ticker:	IOI MK
Shares issued (m):	6,285.2
Market cap (RMm):	25,580.5
Market cap (US\$m):	6,185.4
3-mth avg daily t'over (US\$m):	2.2

Price Performance (%)

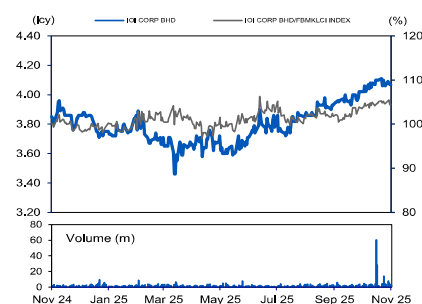
52-week high/low **RM4.13/RM3.42**

1mth	3mth	6mth	1yr	YTD
1.2	5.7	10.6	7.1	4.9

Major Shareholders

	%
Progressive Holdings SB	50.5%
FY25 NAV/Share (RM)	1.96
FY25 Net Debt/Share (RM)	0.26

Price Chart



Source: Bloomberg

Company Description

Integrated palm oil player.

- Prospects.** Although IOI Corporation (IOI) observed that CPO prices have softened recently amid higher-than-expected output arising from East Malaysia in addition to the strengthening ringgit, management nonetheless expects slower harvesting activities due to potential weather disruptions and seasonally low production, on top of festive demand in the coming months to support CPO prices above RM4,000/tonne. The group anticipates higher FFB production for the year despite ongoing accelerated replanting in Sabah, driven by a larger proportion of maturing palms at its estates. For the downstream segment, its refining business is expected to remain challenging given stiff competition posed by Indonesian refineries. The oleochemical sub-segment's prospects on the other hand appear relatively more favourable, with sales margins having improved while increased marketing efforts have helped to strengthen its customer base. Its specialty fats sub-segment is also projected to continue performing satisfactorily, with sales margins expected to remain decent.
- 2QFY26 outlook.** Although CPO prices have softened recently, the plantation segment's performance is likely to remain supported by higher production, as FFB output in Oct 25 continued to rise 13.5% mom to a five-year high and may remain elevated into Nov 25 as well, based on the industry's crop patterns. For downstream, although refining margins could remain volatile, the group's oleochemical and specialty fats sub-segments nevertheless appear to be finding better footing which could help drive a continued yoy recovery in its downstream segment's profit contribution.

Valuation/Recommendation

- Maintain HOLD with a higher target price of RM3.85** (from RM3.80). Our target price revision is on the back of our upgraded fair value estimate of S\$1.40/share (from S\$1.20/share) for its Bumitama associate. Other SOTP valuation parameters remain unchanged, at 17x FY25F PE for the plantation division, 15x FY25F PE for the resources-based manufacturing (downstream) division and 18x for the contribution from associate Lodars. Upside risks to our HOLD call include a sustained improvement in the downstream segment's profitability whereas downside risks include weaker-than-expected FFB output.

Earnings Revision/Risk

- FY26-27 estimates unchanged.** For FY26, we forecast a 5% growth in core earnings (+2.9% yoy), based on our existing CPO price forecast of RM4,000/tonne and FFB growth of 6% for the year. On the other hand, FY26's downstream segment contribution is expected to recover back towards FY24's profitability levels.

Share Price Catalyst

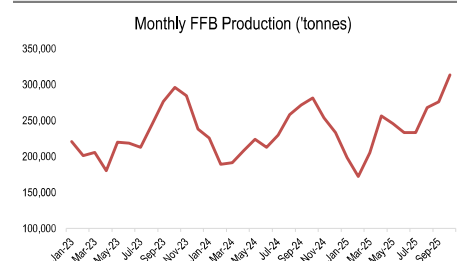
- Better-than-expected CPO prices.
- Higher-than-expected FFB production growth.
- Marked improvement in downstream contribution.

Operational Statistics

	1QFY26	4QFY25	1QFY25
FFB (tonne)	777,192	735,625	760,074
CPO production (tonne)	169,354	160,496	166,157
CPO Price (RM/tonne)	4,169	4,208	4,059
PK Price (RM/tonne)	3,529	3,461	2,699

Source: IOI Corporation

FFB Production Trend



Source: IOI Corporation

SOTP Valuation

	PE (x)	RM/share
Plantations	17	2.92
Manufacturing	15	0.27
Stake in Bumitama	-	0.41
(Fair value: S\$1.40/share)		
Contribution from Lodars	18	0.50
Less: Net Debt		(0.26)
IOI's fair value (round-off)		3.85

Source: UOB Kay Hian

Profit & Loss

Year to 30 Jun (RMm)	2025	2026F	2027F	2028F
Net turnover	11,335	11,146	11,349	11,459
EBITDA	1,837	1,914	1,997	2,067
Deprec. & amort.	405	431	448	459
EBIT	1,432	1,482	1,549	1,608
Total other non-operating income	0	0	0	0
Associate contributions	351	337	371	389
Net interest income/(expense)	(107)	(104)	(101)	(89)
Pre-tax profit	1,878	1,716	1,819	1,908
Tax	(341)	(343)	(354)	(381)
Minorities	(16)	(14)	(15)	(15)
Net profit	1,521	1,359	1,450	1,512
Net profit (adj.)	1,320	1,359	1,450	1,512

Balance Sheet

Year to 30 Jun (RMm)	2025	2026F	2027F	2028F
Fixed assets	9,532	9,814	10,083	10,328
Other LT assets	3,184	3,215	3,247	3,279
Cash/ST investment	1,452	1,336	1,291	1,788
Other current assets	125	125	125	125
Total assets	17,792	18,126	18,518	19,239
ST debt	709	709	709	709
Other current liabilities	260	260	260	260
LT debt	2,807	2,618	2,430	2,098
Other LT liabilities	1,206	1,056	906	906
Shareholders' equity	11,582	12,202	12,879	13,641
Minority interest	344	358	372	382
Total liabilities & equity	17,792	18,126	18,518	19,239

Cash Flow

Year to 30 Jun (RMm)	2025	2026F	2027F	2028F
Operating	944	1,366	1,702	1,800
Pre-tax profit	1,878	1,714	1,817	1,906
Tax	(341)	(343)	(354)	(381)
Deprec. & amort.	405	431	448	459
Working capital changes	(275)	(270)	(41)	(22)
Other operating cashflows	(722)	(165)	(167)	(162)
Investing	-537	-536	-536	-536
Capex (maintenance)	(700)	(900)	(700)	(700)
Investments	0	0	0	0
Proceeds from sale of assets	2	3	3	3
Others	162	162	162	162
Financing	(864)	(909)	(956)	(988)
Dividend payments	(660)	(706)	(753)	(785)
Issue of shares	0	0	0	0
Proceeds from borrowings	3	4	4	4
Loan repayment	(193)	(193)	(193)	(193)
Others/interest paid	(14)	(14)	(14)	(14)
Net cash inflow (outflow)	(456)	(278)	211	277
Beginning cash & cash equivalent	2,182	1,578	1,300	1,511
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	1,725	1,300	1,511	1,788

Key Metrics

Year to 30 Jun (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	17.3	16.3	16.5	16.5
Pre-tax margin	16.1	15.6	16.3	16.3
Net margin	12.1	11.7	12.3	12.3
ROA	7.6	7.6	8.2	8.2
ROE	12.6	12.4	13.1	13.1
Growth				
Turnover	12.2	4.4	4.3	4.3
EBITDA	21.1	-1.6	5.4	5.4
Pre-tax profit	24.2	0.7	9.3	9.3
Net profit	17.8	0.7	9.3	9.3
Net profit (adj.)	17.8	0.7	9.3	9.3
EPS	17.8	0.7	9.3	9.3
Leverage				
Debt to total capital	29.5	26.5	23.7	23.7
Debt to equity	30.3	27.3	24.4	24.4
Net debt/(cash) to equity	17.8	16.3	14.3	14.3
Interest cover (x)	12.2	12.9	14.8	14.8

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